

FISCAL NOTE

Bill #: HB0372

Title: Allocate tobacco settlement funds

Primary

Sponsor: John Cobb

Status: As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:		
General Fund	(\$1,100,000)	(\$1,100,000)
State Special Revenue	24,329,000	19,113,000
Federal Special Revenue	15,116,100	15,241,700
Revenue:		
General Fund	\$13,100,000	\$10,291,000
State Special Revenue	24,329,000	19,113,000
Federal Special Revenue	15,551,000	15,488,000
Net Impact on General Fund Balance:	\$14,200,000	\$11,391,00

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The first distribution of the tobacco settlement will be received by the State of Montana on July 1, 1999, in the amount of \$10,194,000. The second distribution in the amount of \$27,235,000 will be received half in January 2000, and the other half in April 2000. The third distribution of \$29,409,000 will be received half in January 2001, and half in April 2001.

(continued)

2. The amounts in assumption 1 represent the “base payment” from the tobacco settlement. Those amounts must increase at least by the greater of 3% or the increase in the consumer price index, but they can decrease by any percentage reduction in tobacco sales. The industry is projecting a 2 – 3% drop in sales caused by stepped up efforts in tobacco prevention, and the increase in tobacco prices. Thus, the base payment revenue figures are considered useable and conservative.
3. All funds received in the state special revenue funds will be appropriated in the 2001 biennium, and all funds appropriated for the children’s health insurance plan (CHIP) will be expended.
4. The federal government’s claim to reimbursement of some of the tobacco settlement funds has not advanced to the extent that an assumption can be made, and is therefore not considered in this fiscal note.
5. Companion bill SB 81 establishes CHIP. Section 8 of HB 372 creates a new distribution of funds if SB 81 does not pass. This fiscal note assumes the passage of SB 81 and, therefore, uses the distribution in Section 1.
6. Funds remaining after the Section 1 distribution will be transferred to the tobacco settlement account in the state special revenue fund. In FY 2000 that amount will be \$12.654 million and in FY 2001 it will be \$7.438 million. Those monies will be granted as provided in Section 4.

Children’s Health Insurance Plan (CHIP):

7. The CHIP will cover 10,184 children at \$96.30 per month for 12 months, or \$11,769,000 per year.
8. Administration (personal services, operating expenses, equipment) of the program is allowed at a maximum of 10% of CHIP benefits per federal regulations. Administration costs are estimated at \$1,374,000 in FY 2000, and \$1,296,000 in FY 2001.
9. Four new positions are needed: 1.00 FTE data manager, 1.00 FTE nurse, 1.00 FTE program manager (all grade 16) and 1.00 FTE clerical (grade 10), at an annual cost of \$134,000.
10. The federal matching rate for CHIP will be 81%/19% (federal/general fund) providing total state/federal costs of \$2,523,000/\$10,754,000 in FY 2000 and \$2,508,000/\$10,691,000 in FY 2001.

Outreach (Medicaid):

11. Due to outreach 3,275 children will be added to Medicaid. The annual cost will be \$4,678,000 (3,375 X \$1,386 – average Medicaid cost).
12. The federal/state split for Medicaid is 72%/28%. Thus there will be \$1,310,000 of additional cost for the general fund and \$3,368,000 federal funds each fiscal year.

Refinancing – Addictive & Mental Disorders:

13. CHIP will cover 218 individuals currently covered by Mental Health Services at a cost of \$1,429,000 per year. These costs are currently 100% general fund. But now there will be matching federal funds using tobacco settlement to match on a 80%/20% basis.

FISCAL IMPACT:

Children’s Health Insurance Plan:

	FY2000 <u>Difference</u>	FY2001 <u>Difference</u>
FTE	4.00	4.00
<u>Expenditures:</u>		
Personal services	\$134,000	\$134,000
Operating expense	1,374,000	1,296,000
Benefits	<u>11,769,000</u>	<u>11,769,000</u>
TOTAL	\$13,277,000	\$13,199,000

Funding:

State Special Revenue (02)	\$2,523,000	\$2,508,000
Federal Special Revenue (03)	<u>10,754,000</u>	<u>10,691,000</u>
TOTAL	\$13,277,000	\$13,199,000

Outreach (Medicaid):

Expenditures:

Benefits	\$4,678,000	\$4,678,000
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Funding:

State Special Revenue (02)	\$1,310,000	\$1,310,000
Federal Special Revenue (03)	<u>3,368,000</u>	<u>3,368,000</u>
TOTAL	\$4,678,000	\$4,678,000

Refinancing – Addictive & Mental Disorders:

Funding:

General fund (01)	(\$1,429,000)	(\$1,429,000)
Federal Special Revenue (03)	<u>1,429,000</u>	<u>1,429,000</u>
TOTAL	\$0	\$0

LONG-RANGE IMPACTS:

Over the next 26 years, the state anticipates collecting over \$800 million as a result of the tobacco settlement. The residual amount would be distributed according to Section 2.

TECHNICAL NOTES:

Section 1 (2)(b) provides \$9 million to the department, but fails to stipulate the fund placement.